

November 14, 2003

Board of Directors
Economic Development Corporation
of the City of River Rouge
10600 W. Jefferson Ave.
River Rouge, MI 48218

Dear Board Members:

We have recently completed our audit of the Economic Development Corporation (EDC) of the City of River Rouge for the year ended June 30, 2003. In addition to the Letter of Comments and Recommendations, which we have prepared and provided for the Mayor and City Council, we would also like to communicate the following additional comments specific to the EDC:

In planning and performing our audit of the financial statements of the EDC the year ending June 30, 2003, we considered the EDC's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the EDC's ability to record, process, summarize and report financial data consistent with management's assertions inherent in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, also considered to be material weaknesses as defined above. However, we noted one reportable condition that we believe to be a material weakness, as described below, and have included them in the following pages labeled Internal Accounting Controls.

- The checking account for the Reno Building was not reconciled to the bank statement until the end of the year. The individuals using the account do not have access to the bank statement as it is mailed to the City. A copy of the bank statement should be provided to those using the checking account and it should be reconciled to the bank statement each month to ensure that transactions are properly accounted for and to allow differences to be followed up on in a timely manner.


Other reportable conditions, as outlined above, that are not considered material weaknesses, as well as other items we feel warrant your consideration, are discussed below.

- Segregation of duties is a significant internal control factor absent in the EDC. We recommend an independent review of the bank reconciliations, to improve accountability.
- We noted that some cash receipts were not deposited in the bank for up to 2 months after receipt. We recommend that receipts be deposited on a more timely basis.
- Receipt and disbursement activity should be recorded in a journal and the activity should also be recorded in the City's General Ledger on an ongoing basis. Currently, the activity is not recorded in the City's General Ledger until the end of the fiscal year.
- The EDC has several checking and savings accounts which have insignificant balances. We recommend that the accounts be consolidated, which would eliminate excess record keeping.
- Various contractors were hired by the EDC to perform work during the year, but 1099's were not issued to individuals paid more than \$600 in a calendar year. Payments were also made to employees of the EDC that were not processed through the payroll system. The EDC should be issuing 1099's to contractors paid more than \$600 per year, and checks to employees should always be run through the payroll system unless separate 1099's are going to be issued to employees.
- It was noted that credit cards are sometimes used for purchases related to the Reno Building. We recommend that a policy be adopted by the Board to indicate who has authority to use credit cards and what type of items can be purchased via credit card.
- It was brought to our attention that there is no documentation to indicate that individual invoices for the Reno Building have been approved for payment by the Board. Procedures should be put in place to require Board review and approval of invoices prior to payment to ensure that purchases are proper and are in line with the purpose of the EDC.

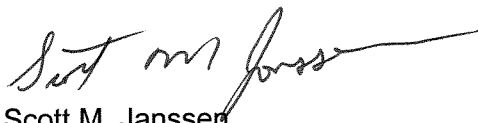
We thank you for the opportunity to serve you and would be happy to discuss any of the above items with you.

Very truly yours,

PLANTE & MORAN, PLLC



Bruce M. Berend



Scott M. Janssen